

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
ID#2474
RESOLUTION E-3830
AUGUST 21, 2003

R E S O L U T I O N

Resolution E-3830. San Diego Gas & Electric Company (SDG&E) requests approval of its Distribution Performance-Based Ratemaking (PBR) revenue sharing and quality of service performance results for the years 2001 and 2002. SDG&E's request is approved.

By Advice Letter 1397-E/1306-G filed on April 1, 2002 and Advice Letter 1482-E/1369-G filed on March 28, 2003

SUMMARY

This resolution approves SDG&E's Distribution PBR Final Performance Reports for 2001 (2001 PBR Report) and for 2002 (2002 PBR Report). These reports provide a summary of SDG&E's 2001 and 2002 performance under its base rate PBR mechanism. SDG&E submitted its 2001 PBR Report with Advice Letter (AL) 1397-E/1306-G, and submitted its 2002 PBR Report with Advice Letter 1482-E/1369-G. These reports were submitted in compliance with Decision (D.) 99-05-030. The 2001 and 2002 PBR Reports include SDG&E's revenue sharing calculations along with information about SDG&E's rewards and penalties in accordance with the mechanism's Employee Safety, Customer Satisfaction, Call Center Responsiveness and Electric System Reliability indicators.

In its 2001 PBR Report, SDG&E calculated a rate of return (ROR) for its electric distribution and natural gas transportation operations of 7.44%. This ROR is 131 basis points less than SDG&E's 2001 authorized ROR of 8.75%, resulting in no revenue sharing. All "losses" below the authorized ROR are absorbed by shareholders.

SDG&E's 2002 ROR fell further, to only 6.22%, 253 basis points below the authorized ROR, again resulting in no revenue sharing.

SDG&E reports a net shareholder reward total of \$12.2 million for its 2001 performance under the PBR's Employee Safety, Customer Satisfaction, Call Center Responsiveness and Electric System Reliability indicators. SDG&E reports a net shareholder reward

total of \$6.0 million for its 2002 performance under the PBR's quality of service indicators

A breakdown of SDG&E's PBR rewards and penalties for the years 2001 and 2002 is as follows:

ELECTRIC DEPARTMENT

Performance Rewards/(Penalties)	2001	2002
Employee Safety	\$2,190,000	\$2,190,000
Customer Satisfaction	\$0	\$0
Call Center Responsiveness	\$518,300	\$503,700
<u>System Reliability¹</u>		
SAIDI	\$3,750,000	(\$1,047,500)
SAIFI	\$3,750,000	\$2,350,000
MAIFI	<u>\$1,000,000</u>	<u>\$1,000,000</u>
Total Electric Department	\$11,208,300	\$4,996,200

GAS DEPARTMENT

Performance Rewards		
Employee Safety	\$810,000	\$810,000
Customer Satisfaction	\$0	\$0
Call Center Responsiveness	\$191,700	<u>\$186,300</u>
Total Gas Department	\$1,001,700	\$996,300
Total Net Performance Rewards	\$12,210,000	\$5,992,500

1. The above acronyms are defined as follows: SAIDI is the System Average Interruption Duration Index, SAIFI is the System Average Interruption Frequency Index, and MAIFI is the Momentary Average Interruption Frequency Index.

The above listed reward totals are approved. The rewards will be recorded in the electric and natural gas Reward and Penalty Balancing Accounts (RPBA).

BACKGROUND

From 1994 through 1998, SDG&E operated under a base rate PBR mechanism that was applicable to its electric and natural gas transportation departments – including electric generation and transmission. The current base rate PBR, applicable to the electric distribution and natural gas transportation departments, was adopted by the Commission in D. 99-05-030.

In D. 98-12-038, the Commission established the 1999 authorized revenue requirements for SDG&E's electric distribution and natural gas transportation departments. Pursuant to D. 99-05-030, SDG&E is required to adjust its electric distribution and natural gas transportation rates annually in years subsequent to 1999 using an established PBR rate-indexing formula. D. 99-05-030 also established a revenue sharing structure that allows revenues, in excess of the authorized ROR and which are above a predetermined deadband, to be shared between shareholders and ratepayers. Finally, D. 99-05-030 sets forth performance benchmarks related to SDG&E's quality of service performance in the following areas: employee safety, customer satisfaction, call center responsiveness, and electric reliability. Financial rewards and penalties are included, in the event that SDG&E exceeds or does not meet these performance benchmarks.

SDG&E is required to file an annual report providing a summary of its PBR performance for the prior calendar year, as ordered in D. 99-05-030. In compliance with this order, SDG&E filed AL 1397-E/1306-G filed on April 1, 2002 and Advice Letter 1482-E/1369-G on March 28, 2003.

SDG&E's current authorized ROR is 8.75%, which was effective July 1, 1999, pursuant to D. 99-06-057.

NOTICE

Notices of AL 1397-E/1306-G and AL 1482-E/1369-G were made by publication in the Commission's Daily Calendar. SDG&E states that a copy of these Advice Letters was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

No protests were filed against AL 1397-E/1306-G or AL 1482-E/1369-G.

DISCUSSION

1. Revenue Sharing

SDG&E's base rate PBR mechanism incorporates a revenue sharing structure that allocates net operating income (NOI) in excess of its authorized ROR, between shareholders and ratepayers. The excess NOI associated with the combined electric distribution and gas transportation departments is allocated according to a set of sharing tiers, above a predetermined deadband, adopted in D. 99-05-030. SDG&E's operational revenue "losses" are not subject to sharing with its ratepayers, i.e. shareholders are at risk for all recorded NOI associated with an actual ROR that is below the authorized ROR.

SDG&E's actual ROR for its combined electric distribution and natural gas transportation operations was 7.44% in 2001 and 6.22% in 2002. Both of these returns were well below SDG&E's authorized ROR of 8.75%.

SDG&E's 2001 and 2002 PBR Reports indicate that the combination of higher operating expenses and overall growth in rate base resulted in an actual ROR lower than the authorized return.

SDG&E's gas department operating expenses were \$16.8 million higher in 2001 than in 2000, and increased by another \$17.8 million in 2002. Gas operating expenses were 24% higher in 2002 than in 2000. However, gas revenues increased by only \$6 million from 2000 to 2002, an increase of only 3%. Although gas department rate base decreased by \$5.1 million, the much higher operating expenses and relatively flat revenues resulted in a decline in the gas department actual ROR from 8.69% in 2000 to 7.25% in 2001, and to only 5.33% in 2002.

The electric department's total operating expenses increased by \$24.9 million in 2001, and by another \$55 million in 2002. Like the gas department, electric distribution operating expenses were 24% higher in 2002 than in 2000. Although electric distribution revenues increased by \$28.9 million from 2000 to 2002, with \$165 million

added to this department's rate base, the department's actual ROR decreased from 8.75% in 2000, to 7.49% in 2001, to only 6.44% in 2002.

The Energy Division has reviewed SDG&E's results of operations for 2001 and 2002 along with the SDG&E revenue sharing calculations, and concurs that no revenue sharing results from SDG&E's 2001 or 2002 financial performance.

2. Service Quality Performance

2.1 Employee Safety

The SDG&E Employee Safety indicator is based on the frequency of recordable Federal Occupational Safety and Health Administration (OSHA) incidents. The OSHA frequency standard is calculated by multiplying the number of recordable incidents by 200,000 (100 employees at 2,000 hours/year) and dividing this figure by the total utility non-generation working hours during the calendar year.

The benchmark for SDG&E employee safety is set at an OSHA frequency of 8.80, with a deadband of plus or minus 0.2. For each hundredth of a point SDG&E scores above or below the deadband, it is penalized/rewarded \$25,000, up to a maximum of \$3,000,000.

In 2001, SDG&E experienced 38 lost time and 152 non-lost time recordable incidents, resulting in an OSHA frequency of 6.12 and a maximum reward of \$3,000,000. SDG&E's total OSHA recordable incidents in 2001 reflects an 11% decrease from the number of incidents in 2000.

In 2002, SDG&E experienced 44 lost time and 154 non-lost time recordable incidents. Due to a large increase in the number of work hours recorded by SDG&E employees, the OSHA frequency fell to 5.38, again resulting in a maximum reward of \$3,000,000.

The Energy Division believes that SDG&E calculated its OSHA frequency for 2001 and 2002 and the \$3,000,000 rewards correctly.

SDG&E allocates 73% of its 2000 Employee Safety performance reward to the electric distribution department and 27% of this reward to the gas department.

2.2. Customer Satisfaction

SDG&E's Customer Satisfaction indicator is based on the results of a survey of customers who received some type of customer service from SDG&E in the calendar year. This internally generated telephone survey is known as the Customer Service Monitoring System (CSMS). SDG&E conducts interviews with a sample of customers receiving a particular type of service over a certain year, and assesses customer satisfaction in five service areas: Branch Offices, Call Center, Gas Appliance Services, Service Order, and Troubleshooters.

The Customer Satisfaction benchmark of surveyed customers indicating a "very satisfied" response is set at 92.5%, accompanied by a deadband of plus or minus 0.5%. For each tenth of a percentage SDG&E scores above or below the deadband, it is penalized/rewarded \$75,000, up to a maximum of \$1,500,000.

SDG&E reports that 92.4% of the customers that participated in its customer survey were "very satisfied" with SDG&E's service in 2001. This figure slightly improved to 92.8% in 2002. These results represent a small decline from the 2000 performance of 93.1%. SDG&E's performance figures in 2000 and 2001 result in no penalty or reward. An audit performed by independent accountants, Armando Martinez & Company, found that the 2001 SDG&E CSMS results were valid.

SDG&E's Service Order performance continues to lag behind the other four areas of this segment, but has improved over the last two years. In 2001 and 2002, 82.6% and 84.4%, respectively, of customers surveyed were "very satisfied" with the Service Order area's performance. In 2000, only 77.4% of surveyed customers indicated that they were "very satisfied" with their respective service performance.

After reviewing SDG&E's 2001 and 2002 Customer Satisfaction service performance, the Energy Division agrees that no penalty or reward results from SDG&E's 2001 and 2002 performance.

2.3 Call Center Responsiveness

The Call Center Responsiveness benchmark in SDG&E's PBR mechanism is set at answering 80% of calls from customers within 60 seconds on a 24-hour average annual basis. There is no performance deadband associated with this

benchmark. A \$10,000 reward/penalty amount is assigned to each 0.1 unit change from the benchmark, with a maximum reward/penalty of \$1,500,000.

SDG&E received roughly 2.8 million calls in both 2001 and 2002. The Company accepted 87.1% of these calls within 60 seconds in 2001, and 86.9% in 2002. Under the PBR, SDG&E earned a reward of \$710,000 in 2001 and \$690,000 in 2002. This performance represents an improvement compared to 2000, when SDG&E received 81.4% of calls within 60 seconds.

Successful Call Center responses include both personal and electronic responses to inquiries by either Customer Service Representatives responses or Interactive Voice responses. SDG&E allocates 73% of the Call Center Responsiveness reward to the electric distribution department and 27% of the reward to the gas department.

The Energy Division agrees with the reward calculations for 2001 and 2002.

2.4 Electric System Reliability

SDG&E's Electric System Reliability performance is judged against three reliability indicators: the System Average Interruption Duration Index (SAIDI), the System Average Interruption Frequency Index (SAIFI), and the Momentary Average Interruption Frequency Index (MAIFI).

SDG&E excludes planned outages and major events when reporting its performance under these three Electric System Reliability indicators. A major event is defined in D. 96-09-045 as an event that meets at least one of the following criteria: a) it is caused by an earthquake, fire, or storm of sufficient intensity to give rise to a state of emergency being declared by the government, or b) it affects more than 15% of the system facilities or 10% of the utility's customers, whichever is less for each event.

SDG&E also excludes events that are the direct result of failures in the ISO-controlled bulk power market or other non-SDG&E owned transmission facilities.

Seven "major events" occurred during 2001, and four occurred in 2002.

2.4.1 SAIDI

SAIDI measures the average electric service interruption duration per customer served per year. In 2001, the SAIDI benchmark in the SDG&E base rate PBR was 52 minutes and did not include a deadband. Prior to 2002, the SAIDI excluded outages due to underground cable failures. In 2002, the SAIDI included underground cable failures, but the benchmark increased to 73 minutes. A \$250,000 reward/penalty amount is assigned to each minute change from the benchmark, with a maximum reward/penalty of \$3,750,000.

SDG&E reported a SAIDI of 34.51 minutes in 2001, resulting in a maximum reward of \$3,750,000. The 2001 SAIDI score is slightly higher than the 2000 SAIDI score of 30.5 minutes, but lower than the 1999 SAIDI score of 39.9 minutes.

In its 2001 PBR Report, SDG&E notes that the major contributors to SAIDI outage minutes were transmission and substation outages, equipment failures, and private vehicle and equipment contacts, collectively accounting for 70% of the SAIDI minutes.

SDG&E reported a SAIDI of 77.19 minutes (including underground cable failures) in 2002, resulting in a penalty of \$1,047,500. The 2002 SAIDI score is much higher than the 1999-2001 SAIDI scores of 65.2, 51.9, and 52.9 minutes, respectively (adjusted to include underground cable failures).

In its 2002 PBR Report, SDG&E notes that the major contributors to SAIDI outage minutes were underground cable failures, substation-transmission outages, overhead and underground equipment failures, private vehicle and equipment contacts, and weather-related outages, collectively accounting for 76% of the SAIDI minutes.

After reviewing SDG&E's 2001 and 2002 SAIDI performance data, the Energy Division agrees with the reward calculation of \$3,750,000 for 2001 and the penalty calculation of \$1,047,500 for 2002.

2.4.2 SAIFI

The SAIFI measures the average electric service interruption frequency per customer served per year for outages of five minutes or more. The benchmark SAIFI in the SDG&E's base rate PBR is 0.90 outages per year, with no corresponding deadband. A \$250,000 reward/penalty amount is assigned to

each 0.01 unit change from the benchmark, with a maximum reward/penalty of \$3,750,000.

For 2001, SDG&E reported a SAIFI measurement of 0.636 outages, resulting in a maximum reward of \$3,750,000. The 2001 SAIFI outage frequency is higher than the 2000 outage frequency of 0.568, but lower than the 1999 SAIFI outage frequency of 0.669. For 2002, SDG&E reported a SAIFI measurement of 0.806 outages, resulting in a reward of \$2,350,000.

SDG&E notes that the major contributors to SAIFI outages in 2001 were underground cable failures, equipment failures, private vehicle and equipment contacts, and substation and transmission outages. SDG&E reported that these factors collectively caused 81% of the SAIFI outages.

The major contributors to SAIFI outages in 2002 were underground cable failures, underground equipment failures, private vehicle and equipment contacts, and substation and transmission outages. SDG&E reported that these factors collectively caused 74% of the SAIFI outages.

After reviewing SDG&E's 2001 and 2002 SAIFI performance data, the Energy Division agrees with the reward calculations of \$3,750,000 and \$2,350,000, respectively.

2.4.3 MAIFI

The MAIFI measures the average electric service momentary interruption frequency per customer served per year for outages less than five minutes in length. The MAIFI benchmark is 1.28 outages per year, with no associated deadband. A \$50,000 reward/penalty amount is assigned to each 0.015 unit change from the benchmark, with a maximum reward/penalty of \$1,000,000.

In 2001, SDG&E reported a MAIFI measurement of 0.864 outages, resulting in a maximum reward of \$1,000,000. The 2001 MAIFI measurement represents a decline in performance from the 2000 MAIFI measurement of 0.755, and from the 1999 measurement of 0.796. In 2002, SDG&E reported a MAIFI measurement of 0.606 outages, resulting in a maximum reward of \$1,000,000.

In its 2001 and 2002 PBR Reports, SDG&E notes that the major contributors to MAIFI outages were line recloser operations and transmission and substation

circuit breaker failures, jointly accounting for 77% and 75% of the MAIFI outages, respectively.

After reviewing SDG&E's 2001 and 2002 MAIFI performance data, the Energy Division agrees with the reward calculations of \$1,000,000 for each year.

2.5 Evaluation of SDG&E's Overall PBR Performance

SDG&E's actual ROR has fallen during each year of its current PBR, from 9.28% in 1999, to 8.74% in 2000, to 7.44% in 2001, and finally to 6.22% in 2002. This performance failed to result in any sharable earnings with SDG&E's ratepayers in any of these years, but SDG&E ratepayers also do not share in any "losses" under the SDG&E PBR. This decline in financial performance is apparently continuing in 2003. SDG&E's first-quarter PBR monitoring report for 2003 shows that its actual ROR fell to only 6.06% for the twelve-month period from April 2002 through March 2003.

SDG&E's plummeting ROR has resulted from: 1) large increases in electric operation and maintenance expenses, electric depreciation expense, and gas and electric administrative and general expenses, 2) a large increase in electric distribution rate base, and 3) relatively flat revenues.

SDG&E's service quality performance resulted in net shareholder rewards of \$39.6 million (\$9.7 million in 1999, \$11.7 million in 2000, \$12.2 million in 2001, and \$6.0 million in 2002). SDG&E received an \$18.7 million net reward total for its service quality performance indicators under the original PBR Mechanism, over a five-year period from 1994 through 1998. SDG&E customers generally benefited from SDG&E's service quality performance in 2001 and 2002, with the exception of electric system outage duration in 2002. Customer satisfaction with SDG&E's Service Order performance improved in 2001 and 2002, but continued improvement is needed in this area of service.

The SDG&E PBR rate adjustment formula increased SDG&E's gas rates by 2.52% in 2001 and by 1.20% in 2002. The formula caused electric distribution rates to increase by 1.51% in 2001 and by only 0.27% in 2002. The PBR rate adjustment formula helps to dampen SDG&E rate increases below the rate of inflation because it includes a "productivity adjustment".

Shareholders received the vast majority of the financial benefits under SDG&E's original PBR Mechanism, in effect during 1994 through 1998. The shareholder's

portion of sharable earnings from 1994 to 1998 totaled \$113.4 million, whereas the ratepayers' portion of sharable earnings in this same period totaled \$14.0 million. SDG&E shareholders also received a combined five-year quality of service performance reward total of \$18.7 million under its original PBR Revenue Sharing Mechanism.

Southern California Gas Company (SoCalGas) has provided greater ratepayer revenue sharing under its PBR than SDG&E, but the SoCalGas PBR does not provide for shareholder service quality incentives comparable to those included in the SDG&E PBR. SoCalGas achieved an actual ROR of 9.02% in 1998, 10.13% in 1999 and 11.82% in 2000, 10.8% in 2001, and 9.99% in 2002 (on a preliminary basis). This performance has resulted in approximately \$110 million in sharable earnings, with about \$54 million of these earnings assigned to ratepayers on a grossed-up basis.

SoCalGas' ability to exceed its authorized ROR is notable because the productivity factors in its PBR update formula (2.3% in 2000, 2.4% in 2001, and 2.5% in 2002) are higher than the SDG&E gas department's productivity factor (1.08% in 2000, 1.23% in 2001, and 1.38% in 2002.)² SoCalGas has been required to achieve higher levels of productivity than SDG&E, yet has been able to exceed its authorized ROR. SoCalGas' combined PBR performance indicator rewards total only \$1,360,000 in 1998 through 2002, but SoCalGas has met or exceeded its service quality PBR benchmarks.

SDG&E's recent performance under its PBR has been more similar to that of Southern California Edison (Edison). Beyond the first year of operation under its PBR in 1997, Edison's shareholders and ratepayers have not received sharable earnings, and Edison has not surpassed its authorized ROR of 9.49%.³ Still, Edison has not earned an actual

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2. The adopted PBRs for SoCalGas, SDG&E, and Southern California Edison (Edison) include an annual adjustment of rates (for SDG&E and Edison) or authorized revenue requirements per customer (for SoCalGas), using the PBR "update formula". This formula is commonly referred to as "CPI-X" where CPI indicates some measure of an annual inflation factor and X indicates an adopted productivity factor.
 3. In 1997, the first year that Edison's electric distribution base rate PBR Mechanism was implemented, Edison's shareholders received approximately \$36.3 million in

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ROR of less than 8.93% in any year under its current distribution PBR Mechanism. However, Edison's PBR requires ratepayers to share in losses beyond a deadband. In its advice letters for its 2001 and 2002 performance, Edison is requesting ratepayers to pay over \$40 million to share in Edison's poor financial performance.

While Edison performance has not resulted in any revenue sharing since 1997, Edison has reported large, combined PBR performance indicator rewards for its shareholders. For just the 1999 through 2002 period, Edison has reported \$61 million in shareholder quality of service incentive rewards. Similar to SDG&E's PBR performance, Edison ratepayers have benefited from certain service quality improvements, but have been paying substantial shareholder rewards for those improvements.

Edison's electric distribution rates have increased only by small amounts under its PBR. PBR rate adjustment increases have been fairly small under Edison's PBR Mechanism – by 1.83% in 1997, 0.27% in 1998, 0.35% in 1999, 0.42% in 2000, 1.35% in 2001, and 1.09% in 2002. SDG&E's PBR rate adjustment formula increased electric distribution rates by only 0.92% in 2000, by 1.51% in 2001, and by 0.27% in 2002. Edison's yearly electric distribution productivity factors have been slightly larger or comparable to the SDG&E electrical department productivity factors in the last four years.

In summary, SDG&E's ratepayers have not benefited from any revenue sharing results under its current PBR through 2002, but ratepayers have not had to share in losses associated with SDG&E's poor financial performance. SDG&E ratepayers have seen overall service quality improvements in certain areas, but will have paid substantial rewards for those improvements to SDG&E shareholders. SDG&E's overall PBR rate adjustments have not been large in 2001 or 2002, but adding in the shareholder rewards increases gas and electric distribution rates by over \$18 million. Compared to SoCalGas and Edison, SDG&E's performance under its PBR is more similar to that of Edison. SoCalGas has been able to exceed its authorized ROR, and has had to achieve higher productivity levels than SDG&E. At the same time, SoCalGas meets or exceeds its performance targets yet receives far less compensation than SDG&E.

sharable earnings, while ratepayers received approximately \$42.6 million in sharable earnings.

and Edison's PBR financial performance has lagged that of SoCalGas, but SDG&E and Edison have reaped large performance rewards for shareholders. In addition, Edison's PBR requires ratepayers to share in financial losses relative to the authorized ROE.

Recording of the Electric Penalty and Gas Reward

In compliance with its tariff, SDG&E indicates in its PBR Report that it intends to record the electric and gas net performance rewards in its electric and gas Reward and Penalty Balancing Accounts.

Effective Date

In AL 1397-E/1306-G, SDG&E requested an effective date of May 11, 2002. In AL 1482-E/1369-G, SDG&E requested an effective date of May 7, 2003. This advice letter will be effective today.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. Pursuant to D. 99-05-030, SDG&E filed AL 1397-E/1306-G on April 1, 2002, reporting its PBR Earnings Sharing and Performance Indicator results for the subject year 2001. SDG&E filed AL 1482-E/1369-G on March 28, 2002 reporting its PBR performance results for 2002.

2. For 2001 and 2002, SDG&E achieved an electric distribution and gas department weighted ROR of 7.44% and 6.22%, respectively. Its weighted electric distribution and gas department authorized ROR was 8.75%. No ratepayer revenue sharing results for 2001 or 2002 under SDG&E's PBR mechanism.
3. The following performance rewards and penalties should be approved:

ELECTRIC DEPARTMENT

Performance Rewards/(Penalties)	2001	2002
Employee Safety	\$2,190,000	\$2,190,000
Customer Satisfaction	\$0	\$0
Call Center Responsiveness	\$518,300	\$503,700
<u>System Reliability⁴</u>		
SAIDI	\$3,750,000	(\$1,047,500)
SAIFI	\$3,750,000	\$2,350,000
MAIFI	<u>\$1,000,000</u>	<u>\$1,000,000</u>
Total Electric Department	\$11,208,300	\$4,996,200

GAS DEPARTMENT

Performance Rewards		
Employee Safety	\$810,000	\$810,000
Customer Satisfaction	\$0	\$0
Call Center Responsiveness	\$191,700	<u>\$186,300</u>
Total Gas Department	\$1,001,700	\$996,300

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4. The above acronyms are defined as follows: SAIDI is the System Average Interruption Duration Index, SAIFI is the System Average Interruption Frequency Index, and MAIFI is the Momentary Average Interruption Frequency Index.

Total Net Performance Rewards	\$12,210,000	\$5,992,500
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4. SDG&E's electric shareholder rewards shall be recorded in the electric RPBA. SDG&E's gas shareholder reward shall be recorded in the gas RPBA.
5. We should approve SDG&E's 2001 and 2002 PBR Reports, with an effective date of today.

THEREFORE IT IS ORDERED THAT:

1. SDG&E's 2001 and 2002 PBR Reports are approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 21, 2003; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director